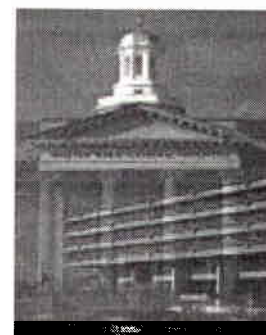




## U.S. ARMY MEDICAL COMMAND

### Cost Management Activity Based Costing (CM/ABC) Implementation Plan for Base Support

Revised: 28 July 2000



# CONTENTS

| <b>Section</b>   | <b>Page</b> |
|--|-------------|
| Mission and Vision.....  | 1           |
| Discussion .....   | 2           |
| Roles and Responsibilities .....   | 3           |
| Goals and Objectives .....   | 3           |
| Training Opportunities .....   | 4           |
| Implementation Schedule .....  | 6           |
| Reporting Requirements.....  | 7           |
| Appendix A – Define Cost Management and Activity based Costing.....            | A-1         |
| Appendix B – MACOM and Installation points of contact .....                    | B-1         |
| Appendix C – Initial Training Schedule.....                                    | C-1         |
| Appendix D – Implementation Schedule.....                                      | D-1         |
| Appendix E – Base Support Business Area Services.....                          | E-1         |
| Appendix F – SBC Pacing Measures and<br>ISR Services Performance Measures..... | F-1         |
| Appendix G – SBC Service to OMA AMSCO Crosswalk.....                           | G-1         |
| Appendix H – HQDA ABC Business Area points of contact .....                    | H-1         |
| Appendix I – Lessons Learned - FORSCOM.....                                    | I-1         |
| Appendix J – Acronyms.....   | J-1         |
| Appendix K – Standard Service Cost Development .....                           | K-1         |

## Mission and Vision:

The end-state vision of the U.S. Army Medical Command is to optimize the delivery of Base Support services in a cost effective and efficient manner through the application of Cost Management principles and Activity Based Costing/Management (ABC/M) techniques wherever applicable and appropriate by December 2004.

The mission of the United States Army Medical Command (MEDCOM) is to provide health services for the United States Army in the continental United States, Europe, Japan, Korea, Alaska, Hawaii, Johnston Island, Guam and Trust Territory of the Pacific Islands. Additionally, MEDCOM provides medical professional education and training for Army Medical Department personnel and, as required or directed, for other Army personnel, members of other services, other Federal agencies, and for authorized foreign national personnel.

The Commanding General, MEDCOM, also commands the following activities: the U.S. Army Dental Command, the U.S. Army Veterinary Command, the U.S. Army Center for Health Promotion and Preventive Medicine, Regional Medical and Dental Commands, Walter Reed Army Medical Center, the U.S. Army Medical Department Center and School and Fort Sam Houston, and the U.S. Army Medical Research and Materiel Command and Fort Detrick. The full spectrum of Base Support services are provided at our three installations; two of which are funded from the Defense Health Program (DHP) and one from the Operation and Maintenance, Army (OMA) appropriation.

The Commanding General, MEDCOM also serves as The Surgeon General (TSG) of the Army, the chief medical advisor to the Chief of Staff, Army. The CG, MEDCOM carries out his command and staff responsibilities through a Chief of Staff/Deputy Surgeon General and three Deputy Chiefs of Staff/Assistant Surgeons General. These Deputy Chiefs of Staff are structured for Force Projection, Force Management, and Force Sustainment responsibilities. The DCS, Force Projection contains the functions of Health Policy and Services, Operations, Quality Management, and Graduate Medical Education. The DCS, Force Management contains the functions of Personnel, Resource Management, and Reserve Affairs. The DCS, Force Sustainment manages the functions of Logistics, Information Management, and the Installations, Environment and Facility Management.

The end-state vision of the U.S. Army Medical Command is to optimize the delivery of Base Support services in a cost effective and efficient manner through the application of Activity Based Costing and Activity Based Management (ABC/M) techniques whenever applicable and appropriate, and have these mechanisms in place and fully operational by December 2004. Through the use of ABC/M tools, commanders and managers will be able to more clearly identify resource shortfalls/impacts and be able to articulate

these impacts more accurately and efficiently to higher headquarters. This tool will assist the commanders and managers in their local decision-making processes to make difficult but informed trade-offs and select proper alternatives affecting Base Support service delivery and performance.

## Discussion:

Cost management is managing costs on a continuous improvement basis. It focuses on processes, products, and outcomes rather than on the inputs. CM takes on different emphasis at different organizational levels. In the Base Support business area, from the Headquarters, Department of the Army (HQDA) level to the installation commander level, managers and leaders are interested in the quality and impact of the services and products provided to users. For managers within the installation activities providing the services and products, this interest extends to the processes employed in production. At HQDA and other headquarters levels, cost management focuses on relating total costs to the quality and quantity of the services and products to provide Army decision makers with the information they require to make sound resourcing decisions in the Planning, Programming, Budgeting, and Execution System (PPBES) processes. Within the directorates at installation level, CM requires managers to focus on relating total costs to the quality and quantity of the services and products to control costs in the production of services and products.

ABC is one CM methodology employed at the installation level to allocate costs to activities and products/outcomes. Other systems in use in the Army manage costs by factors other than activities; for example, by job order or by project. The intent of this plan is to employ ABC as the CM methodology to manage the significant majority of the Base Support business area resources consumed at each installation. ABC is a tool used locally and tailored to the needs of each installation and/or activity. **Therefore, as a minimum, this plan directs the application of CM/ABC techniques to cost management of the following functions and services in the Base Support business area:** (see Appendix E for a list of services by function)

- **Engineering**
- **Logistics**
- **Morale, Welfare, and Recreation**
- **Information Technology**
- **USACE Support to Installations (USACE MACOM only)**

## Roles and Responsibilities:

The varied functions of Base Support are neither consolidated nor managed within one organization in the MEDCOM, however, the Assistant Chief of Staff for Installations, Environment and Facility Management (ACSIEFM) has been tasked as the integrator of all BASOPS actions as they pertain to MEDCOM installations and activities. Primarily responsible for all Real Property Maintenance (RPM) functions, the ACSIEFM serves as the single point of contact for all actions and programs managed by the Assistant Chief of Staff for Installation Management (ACSIM), Headquarters, Department of the Army (HQDA). For Activity Based Costing, the ACSIEFM relies on considerable assistance from the Assistant Chief of Staff for Resource Management (ACSRM) directorate.

At MEDCOM installations, the Commanders have assigned the responsibility for managing the implementation of Activity Based Costing to the Resource Management office.

## Goals and Objectives:

The MEDCOM's goal for Cost Management is to:  
Fully integrate Cost Management principles in all Base Support business areas throughout the Command's installations, using ABC, where appropriate, to drive continuous cost reduction and productivity improvement.

The purpose of the MEDCOM ABC implementation effort is to redirect the installation's budget-based management focus to an ABC-based management perspective. MEDCOM will deploy ABC at all installations in appropriate Base Support functional areas with local commanders and managers actively using and updating ABC to evaluate their current operational environment and make resourcing and process improvement decisions by December 2004.

Program objectives for this implementation plan include:

- Support the Army Mission and Vision by exploring and implementing proven management practices and techniques that maximize the efficiency and effectiveness of service delivery.



- Initiate/enhance the development/use of Activity Based Costing models in all services in the Engineering, Logistics, Morale, Welfare and Recreation, and Information Technology functions by December 2000.
- Use the experience and knowledge gained in earlier, self-initiated applications of CM/ABC by Fort Detrick garrison personnel to transfer to the other MEDCOM installations.
- Refine prototype models and have selected functional models deployed and operational at selected MEDCOM installations by December 2001.
- Ensure all MEDCOM installations are implementing/refining “mandatory” service models by December 2002.
- All MEDCOM installations will have fully developed CM/ABC operations established in all “mandatory” services not later than December 2004.

## **Training Opportunities:**

The U.S. Army Cost and Economic Analysis Center (CEAC) will provide Army installations and activities with the initial training required to implement Cost Management/Activity Based Costing. The CEAC will resource and provide three initial training courses on a periodic basis through mid-December 2000. Other courses will be developed on an as required basis.

Headquarters, MEDCOM solicited each installation for their desired training needs and provided a combined training requirements schedule to the ACSIM in June 2000. See Appendix C.

The three CEAC-sponsored training courses are as follows:

### **A. COST & PERFORMANCE MANAGEMENT TEAM TRAINING**

Purpose: Provide Cost and Performance Management teams implementing Cost Management (CM) and Activity Based Costing (ABC) and Activity Based Management (ABM) with an understanding of CM principles and the roles CM will fulfill in the Army and in their specific business area. Discuss how ABC/M can be used to implement CM at the local level to improve the delivery of goods and services and how to identify useful performance measures for application in ABC/M. Provide initial hands-on instruction in building ABC models using the Army-provided software.

Course Length/Frequency: 5 days/weekly.

Target Audience: Implementing teams responsible for building and maintaining ABC models. Recommend mandatory attendance by one functional manager and one ABC model action officer for each major function/directorate for which a model is being built and maintained. The following are examples of suggested teams:

- The operations director (change agent), a functional line manager, and the action officer building and maintaining the model.
- A strategic planner in the functional area, a functional management analyst, and a staff POC responsible for staff coordination of CM and ABC/M activities.

Prerequisites: Strong technical competence in the functional area(s) and processes to be modeled. At least one year retainability in a position applying ABC/M is desired. Ability to use a PC in a Windows operating environment and possess a basic working knowledge of Excel. Attendees who attend this course should employ the training in ABC immediately upon return to their organization.

Class size: 20-24 students.

## **B. ENTERPRISE BUILDING FOR COST MANAGEMENT**

Purpose: Provide key staff personnel with the basis for planning and monitoring implementation of a Cost Management (CM) program to embed CM in developing performance measures to support leadership and management decisions throughout their business area, functional area, or organization. The course will approach ABC/M from an enterprise-wide perspective and will focus on performance measures and scorecarding to link cost, performance, and organization strategy.

Course Length/Frequency: 3 days/monthly.

Target Audience: Staff serving as the commander's primary POC for CM and ABC/M program implementation. Recommend mandatory attendance by one staff POC responsible for staff coordination of CM and ABC/M activities. The following are examples of suggested attendees:

- The Director or Deputy Director of an R&D laboratory.
- A strategic planner for business operations or the staff CM and ABC/M POC at a headquarters organization.
- Garrison Commander, Deputy Commander, or Director on an installation.

Prerequisites: Strong technical knowledge of operations at all levels of the organization or business.

Class Size: 15-20 students.

### **C. EXECUTIVE LEVEL CM and ABC/M ORIENTATION**

Purpose: Provide Senior military and civilian leadership (COL/GO and GS15/SES) with an overview of how CM and ABC/M work. Presentations will discuss CM and ABC/M concepts, model building, ABC software, and prototyping.

Course Length/Frequency: 2 days/as requested.

Target Audience: Commanders and principal staff of organizations implementing CM and ABC/M. Recommend mandatory attendance by the commander or one principal staff member from each headquarters and organization employing ABC.

Local training classes may need to be developed at each installation. This will be addressed by each installation, MEDCOM, ACSIM, and CEAC on a case-by-case basis.

## **Implementation Schedule:**

We obtained milestones for individual MEDCOM installation implementation of Cost Management and Activity Based Costing principles and practices from each installation and their input is summarized in Appendix D. It is the goal of the Medical Command to have all installation garrisons investigate, as a minimum, the mandatory services outlined in the ACSIM Base Support plan and implement ABC in all services warranted.

**Each installation is expected to develop it's own CM/ABC Implementation Plan and submit the written plan for MEDCOM review not later than 15 September 2000.** The Implementation Plan must contain at least the following information:

- a. end state vision for CM/ABC
- b. goals and objectives
- c. roles and responsibilities
- d. current milestones and schedules for pilot studies and model development
- e. results of studies and pilot model applications
- f. assessment of each BASOPS Support business area's implementation of Managerial Cost Accounting practices



The implementation priority sequence for MEDCOM installations is based on experience, initiative, and the complexity of separating mission and operationa cost centers. Our sequence for implementation effort will be:

- a. Fort Detrick MD
- b. Fort Sam Houston TX
- c. Walter Reed Army Medical Center DC.

## **Reporting Requirements:**

Installations will be required to update their CM/ABC Implementation Plans on a semiannual basis. Quarterly progress reports will be required to facilitate the MACOM reporting requirement to HQDA.

On a quarterly basis, the Army requires a report from each business area to measure progress in implementing CM/ABC. ACSIM will establish a website for MACOMs to report the following information as provided by their installations:

- Number of Installations Managed
- Total Base Support Business Area Costs from Previous FY
- Total Base Support Business Area Costs from Previous FY in Activities where Cost Is Measured Using ABC
- Number of Installations at Which ABC Implementation Is Planned
- Number of Installations Where ABC Models Are in Development
- Number of Installations Where ABC Is Implemented and Actively Used for Cost Management
- Number of Installations where ABC Is Implemented and Actively Used for Cost Management in all Mandated Base Support Functional Areas
- Number of ABC Models Planned
- Number of ABC Models in Development
- Number of ABC Models Implemented and Actively Used for Cost Management

## APPENDIX A

### Define Cost Management and Activity Based Costing

#### Cost Management

Cost Management is a process of continuous improvement that simultaneously focuses on cost and performance to gain efficiencies and improve operations through informed decision making. Similar practices are widely used within the private sector and the Army has developed cost management training material to support a strong doctrine and to institutionalize this managerial approach within the Army. To enable managers and decision makers to manage costs effectively, good cost measurement creates cost awareness, provides relevant cost information, and correlates the information to mission performance. Successful cost management is a long-term solution that links to the organization's strategy, educates and empowers employees, and encourages cost control through rewards and incentives.

Integration of Cost Management practices into the 21<sup>st</sup> Century Army is designed to enhance decision making at all levels. This will require a culture change within the Army, recognizing that cost management is a necessary discipline for all managers and decision makers, both military and civilian. A sound Army cost management doctrine will assist us in understanding the "true" costs of producing goods and services, improving operations, and linking execution to Army strategies. Cost management fully supports continuous improvement to achieve the most efficient organization.. Executing the Cost Management doctrine controls costs and improves efficiency by focusing on results, allowing the Army to meet future resource requirements.

Successful implementation of Cost Management combines strong leadership support, a cycle of commitment and review, employee empowerment, and motivational incentives. With Army leadership serving as strong advocates, the cost management paradigm establishes goals and encourages participative behavior to achieve improved performance.

Managerial Costing is the reconnaissance process for Cost Management. Cost Management must be supported by credible cost measurement tools (e.g. Activity Based Costing) that focus on true cost and meet the internal needs of managers and decision makers. The cycle of commitment and review is the key for managers to practice cost management successfully. This process has been established through installation prototypes and is depicted in diagram below.

Commanders must provide the leadership support and need for cost management information. The necessity to "pull" or lead the cost reconnaissance process creates

an atmosphere of cost awareness throughout the command. A cycle of forecasting and after action review provides a frequent feedback and accountability loop that drives continuous improvement and allows for the most efficient use of resources.

Cost Management is a commitment to a new business discipline that strives for continuous improvement by managing cost for superior performance. To move forward, organizations must begin to act on current cost measurement initiatives and institutionalize cost management through sound doctrine and active leadership.



The strategic component of cost management should focus on the planning of priorities and setting of goals. This is achieved primarily at the Army Headquarter and MACOM level by establishing cost and performance goals. By establishing expected levels of cost to achieve desired outcomes, installations have goals to strive for through tactical Cost Management practices.

Commanders must focus on the tactical component of cost management by managing cost and performance through the cycle of commitment and review to achieve continuous improvement. Commanders set efficiency challenges to be achieved through the managing of activities (ABC/M), processes and cost. Gaining a better understanding of cost and performance will better enable organizations to achieve the strategic goals set by Army leadership.

### **Activity Based Costing**

Activity-Based Costing (ABC) is a cost measurement tool used by the Army to help local managers understand their costs and make informed decisions. ABC traces the resources that are consumed to the activities being performed to provide a product or

service. Furthermore, it permits activity costs to be traced to cost objects that represent the products or services for which the organization exists. ABC allows local managers to uniquely define activities and measure costs that are relevant to their daily decision making needs. The user-defined level of detail provides managers with visibility and understanding of work being performed by day to day operations.

#### Choosing Cost Objects

Cost Objects are the views of cost useful to managers. There are many possibilities - organizational views, process views, product/service views, customer views, job order views, budgetary views. Managers' needs for cost information depend on their relationship to the process. Team leaders responsible for managing source costs might need to know how much they are spending for salaries, travel, and benefits. Customers and fee setters need to know product costs. Someone, charged with reducing overall cost, needs cost by individual process.

Relevant and reasonable are the key considerations. An organization with many similar components separated for geographical reasons can probably use the same cost objects throughout. Organizations with unique components separated for functional reasons will probably need unique cost objects. There is rarely one cost object that fits all. Each manager may need different views.

#### Selecting Activities Efficiently

Most organizations have thousands and thousands of things that could be measured and many different ways to measure them. Grouping related cost pools or activities works best in these situations. The challenge is to find the number of activities that minimizes cost while still giving a true picture of resource consumption. Focus on those activities that are significant in cost. Go where the money is. This is where the greatest potential for saving lies. Work these first. Make sure cost pools are homogeneous or you will create free goods and undesired behavior. If two cost pools or activities share the same driver, they can be reasonably aggregated.

#### Choosing the Right Cost Drivers

Good cost drivers distribute cost based on cause and effect, reflecting true cost consumption by a cost object. Cause and effect means that increasing the cost driver increases resource consumption. Allocating cost based on such drivers reflects the underlying economics of cost consumption and the true cost of cost objects. Cost conscious managers work to reduce cost drivers.

Sometimes no single cost driver is 100% right. Square footage, direct labor hours, mileage, or per capita may not correlate with overhead consumption by cost objects. When this happens, the Level of Effort technique produces a reasonably accurate custom driver where effort is the primary resource - as in overhead. The steps to developing a level of effort driver are:

- 1) Interview the manager.
- 2) Concentrate on people's "efforts".
- 3) Find out what proportion of each person's time would be "invoiced" to each cost object if the activity was a business and the cost object was a customer.

Thinking like a small business owner billing customers for work done, ask what percentage of your costs would you bill each customer? Activity managers will only be able to make rough estimates, but their estimates get better with time. Remember that reasonable accuracy is the goal.

The Level of Effort technique assumes homogeneity, or sameness, so that effort costs the same for each person and other costs are proportional to effort. If one person is a lawyer and the others are paralegals, the level of effort analysis will be biased, and weighting factors will be needed.

#### Basic Terminology

**Managerial Costing** translates internal accounting data into information useful to managers. Accounting measures input costs like labor and overhead, but managers *need* output costs, Product or Service costs (e.g. Security Service cost). These are called Cost Objects.

**Activity Based Costing (ABC)** measures cost and performance by Activity, and traces Activity Costs to cost objects. Activities and the factors that influence their cost and performance are identified in the process.

An **Activity** is a set of tasks, like *provide police patrols*, that would include cars, POL, officers, procedures, etc. for a combination of effort, material, technology, methods, and environment that produces something. Activity Cost is the full cost of performing an activity.

In practice, organizations have many activities and have to combine activity costs into a few homogeneous Cost Pools. The pools are Distributed to cost objects in proportion to Cost Drivers.

**APPENDIX B**

**MACOM and Installation ABC Points of Contact**

**U.S. Army Medical Command (MEDCOM):**

Clarke Diekmann  
HQ, USA Medical Command  
ATTN: MCFA (Diekmann)  
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**Walter Reed Army Medical Center (WRAMC):**

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Voice: (202) 782-0281 DSN662-0281  
FAX: (202) 782-8473 DSN662-8473

## APPENDIX C

## Initial Training Schedule

MEDCOM requested this ABC training schedule from the ACSIM/CEAC in June 2000.

|           | Number of spaces/Dates<br>(P)=Primary (A)=Alternate   | Number of spaces/Dates<br>(P)=Primary (A)=Alternate         | Number of spaces/Dates<br>(P)=Primary (A)=Alternate                  | Number of spaces/Dates<br>(P)=Primary (A)=Alternate            |
|-----------|---|---|--|--|
| June      |   |   |  |  |
| 19        |   |   |  |  |
| 26        |   |   |  |  |
| July      |   |   |  |  |
| 3 (H)     |   |   |  |  |
| 10        |   |   |  |  |
| 17        |   |   |  |  |
| 24        |   |   |  |  |
| 31        |   |   |  |  |
| August    |   |   |  |  |
| 7         |   |   |  |  |
| 14        |   |   |  |  |
| 21        |   |   |  |  |
| 28        |   |   |  |  |
| September |   |   |  |  |
| 4 (H)     |   |   |  |  |
| 11        |   |   |  |  |
| 18        |   |   |  |  |
| 25        |   |   |  |  |
| October   |   |   |  |  |
| 2         |   |   |  |  |
| 9 (H)     |   |   |  |  |
| 16        |   |   |  |  |
| 23        |   |   |  |  |
| 30        |   |   |  |  |
| November  |   |   |  |  |
| 6 (H)     |   |   |  |  |
| 13        |   |   |  |  |
| 20 (H)    |   |   |  |  |
| 27        |   |   |  |  |
| December  |   |   |  |  |
| 4         |   |   |  |  |
| 11        |   |   |  |  |
| POC:      |   |   |  |  |
|           | John Kungis 301-619-2639<br>john.kungis@detamedd.army.mil   | Alicia Hardy 210-221-1684<br>alicia.hardy@cenamedd.army.mil | Maj Greg LaFrancols 202-782-0281<br>greg.lafrancols@naamedd.army.mil | Clarke Diekmann 210-221-6441<br>clarke.diekmann@amedd.army.mil |
| NOTES:    | 1. Due to proximity to the contractor's training facility, Fort Detrick and Walter Reed can negotiate between "On-site" and "Resident" training dates/locations for the Enterprise and Action Officer courses on a "space available basis" to fill available openings - contact the Installation POC. |   |  |  |
|           | 2. Confirmation of the above dates and final class scheduling must be effected with the Installation/Activity ABC point of contact referenced above.  |   |  |  |
|           | 3. HQ, MEDCOM participants for the Executive and Enterprise classes will attend the Fort Sam Houston Installation classes.  |   |  |  |

## APPENDIX D

### Installation ABC Services Implementation Schedule

#### Fort Detrick, Maryland:

Fort Detrick has been studying, prototyping, and implementing Cost Management and Activity Based Costing principles for over two years. They are already using the ABC Technologies ABCPlus software to analyze cost centers and manage their CM/ABC program. They are the lead installation in the Command's CM/ABC implementation effort. Although pilot studies have already been done in many business cost center areas, Fort Detrick may need to refine their CM program to meet the requirements of the overall ACSIM plan.

The Fort Detrick schedule for continued analysis in the Base Support area is:

|                                  |                 |
|----------------------------------|-----------------|
| 1. Personnel Services            | Jan 01 - Jul 01 |
| 2. Morale, Welfare, & Recreation | Jan01 - Jul 01  |
| 3. Information Technology        | Jan 01 - Jul 01 |
| 4. Logistics                     | Jul 01 - Dec 01 |
| 5. Operations                    | Jul 01 - Dec 01 |
| 6. Engineering                   | Jan 02 - Jul 02 |
| 7. Resource Management           | Jan 02 - Jul 02 |
| 8. Command and Staff             | Jan 02 - Jul 02 |

#### Fort Sam Houston, Texas:

Fort Sam Houston is in the initial stages of developing their CM/ABC implementation plan. Their current implementation schedule for CM/ABC review in the Base Support area is:

|                                    |                 |
|------------------------------------|-----------------|
| 1. Morale, Welfare, and Recreation | Jan 01 – Jul 01 |
| 2. Logistics                       | Jan 01 – Nov 01 |
| 3. Engineering (Phase I)           | Jan 01 – Dec 01 |
| 4. Information Technology          | Jul 01 – Dec 01 |
| 5. Engineering (Phase II)          | Jan 02 – Dec 02 |
| 6. Personnel Services              | Jan 02 – Jul 02 |
| 7. Command and Staff               | Jul 02 – Dec 00 |
| 8. Operations                      | Jan 03 – Jul 03 |
| 9. Resource Management             | Mar 03 – Dec 03 |

**Walter Reed Army Medical Center, DC:**

(WRAMC's CM/ABC Implementation Schedule not yet received)

## APPENDIX E

### Base Support Business Area Services

The services in the Base Support business area include base operations (BASOPS), family programs, environmental programs, real property maintenance including minor construction, base engineering services, utilities, base communications, and audio visual services. The support provided by USACE for military construction on installations and assistance in performing Base Support services is also included. Note that installation support activities may also provide services such as airfield operations that are outside this business area. In addition, some Base Support services are also included in other designated business areas required to implement ABC.

The Major Service Areas and ABC/SBC Services included in the Base Support business area are:

#### **Engineering (*Mandatory Application*)**

|  |   |
|--|---|
| Facilities Maintenance - Training & Operations | Facilities Maintenance - Maint & Production |
| Facilities Maintenance - RDT&E                 | Facilities Maintenance – Supply             |
| Facilities Maintenance – Administration        | Facilities Maintenance – AFH                |
| Facilities Maintenance – UPH                   | Facilities Maintenance – Community          |
| Facilities Maintenance - Medical/ Hospital     | Maintenance - Improved Grounds              |
| Maintenance - Other than Improved Grounds      | Facilities Maintenance – Other              |
| Maintenance - Surfaced Area                    | Heating/Cooling Services                    |
| Water Services                                 | Waste Water Services                        |
| Electrical Services                            | Other Utility Services                      |
| Maintenance – Railroad                         | Family Housing Management                   |
| Army Lodging Management                        | UPH Management                              |
| Facilities Engineering Services Management     | Master Planning                             |
| Real Estate/Real Property Administration       | Real Estate Leases                          |
| Custodial Services                             | Indoor Pest Control                         |
| Outdoor Pest Control                           | Refuse Removal                              |
| Snow and Sand Removal                          | Minor Construction                          |
| Real Property Demolition                       | Conservation Programs                       |
| Restoration Programs                           | Compliance Programs                         |
| Pollution Prevention Programs                  | Fire and Emergency Response Services        |

#### **Logistics (*Mandatory Application*)**

|                              |                                 |
|------------------------------|---------------------------------|
| Ammunition Supply Services   | Retail Supply                   |
| Central Issue Facility       | Asset Management                |
| Materiel Support Maintenance | Transportation Services         |
| Food Services/TISA           | Laundry & Dry Cleaning Services |

**Morale, Welfare, and Recreation (*Mandatory Application*)**

|                        |                     |
|------------------------|---------------------|
| Army Community Service | Child and Youth     |
| Fitness and Recreation | Business Operations |

**Information Technology (*Mandatory Application*)**

|  |   |
|--|---|
| Communication Systems and System Support | Visual Information Systems                |
| Document Management                      | Information Systems Security              |
| Automation                               | Information Technology Mgmt (IT Planning) |

**Resource Management**

|                       |                                      |
|-----------------------|--------------------------------------|
| Program/Budget        | Support Agreement/MOU/MOA Management |
| Management Accounting | Installation TDA Management          |
| Management Analysis   |                                      |

**Operations**

|  |                  |
|--|------------------|
| Installation Security Program Mgmt Support | Force Protection |
|--|------------------|

**Personnel Services**

|                            |                               |
|----------------------------|-------------------------------|
| Military Personnel Manning | Military Personnel Services   |
| Substance Abuse            | Continuing Education Services |

**Acquisitions (*Also included in Contracting Business Area*)**

|             |                            |
|-------------|----------------------------|
| Contracting | Contracting Administration |
|-------------|----------------------------|

**Command and Staff**

|                              |   |
|------------------------------|---|
| Correctional Services        | Law Enforcement Services                    |
| Physical Security            | Administrative & Civil Law                  |
| Criminal Law & Discipline    | Client Services                             |
| Religious Support            | Chaplain Special Staff Work                 |
| Community Relations          | News Media Facilitation                     |
| Information Strategies       | Command Inspections                         |
| Command Investigations       | Complaint/Assistance Services               |
| Protocol Services            | Installation Management                     |
| Equal Employment Opportunity | Equal Opportunity                           |
| Internal Review              | Installation Safety and Occupational Health |

**USACE Support to Installations (*Mandatory Application - USACE only*)**

|  |  |
|--|--|
| Military Construction Support on Installations | USACE Support to Installation Base Support |
|--|--|



## APPENDIX F

## SBC Pacing Measures and ISR Services Performance Measures

The following table identifies the 95 SBC services, their primary and secondary pacing measures, and the ISR performance measures for the SBC services included in ISR-Services.

| Svc Num | Service Title               | Installation Service Description  | Primary SBC Pacing Measure   | Secondary SBC Pacing Measure   | ISR Performance Measures  |
|---------|-----------------------------|---|--|--|---|
| a01-a06 | Civilian Personnel Services | <p>Aggregation of Services a01-a06. The Civilian Personnel Proponent has requested this data be reported as a one-line entry again this year. Service definitions included are as follows:</p> <p>a01: Organizational and Job Design: Consult management on all phases of basic compensation, position management, and organizational/job design to promote mission accomplishment within available resources, considering the labor market. Classify jobs and/or provide classification advisories.</p> <p>a02: Filling Jobs: Advise and assist managers on labor market resources/recruitment programs which will provide high quality, skilled candidates to fill jobs</p> | <p>Number of Department of the Army appropriated fund (APF) civilian authorizations ("spaces") supported during the year.</p> <p>(Average annual number of DA appropriated fund civilian positions supported during the year.)</p> | <p>Number of Department of the Army appropriated fund (APF) civilian FTEs ("faces") supported during the year.</p> | <p>Average CPAC (Civilian Personnel Advisory Center) speed in processing recruit/fill actions.</p> <p>Average total time to process recruit/fill actions.</p> <p>Average CPAC (Civilian Personnel Advisory Center) Customer Satisfaction Score.</p> |

## APPENDIX G

## SBC Service to OMA AMSCO Crosswalk

The following table provides the crosswalk between the SBC service and the O&M,A and Army Family Housing Operations (AFHO) Army Management Structure Codes (AMSCOs) for FY 2000. This table used with DFAS-IN 37-100-FY00 will provide a detailed description of each SBC service.

| SBC Service to O&M,A and AFHO AMSCO Crosswalk for FY 2000 |                               |  |
|---|-------------------------------|--|
| Service Number  | Army SBC Service              | O&M,A and AFHO AMSCOs  |
| a01-a06   | Civilian Personnel Services   | 131096.K0, 315896.K0, 325796.K0, 438896.K0, 847796.K0, NAF.RH  |
| a07   | (Military) Personnel Manning  | 131096.M0, 131096.MA, 131096.MD, 131096.MF, 315896.M0, 315896.MA, 315896.MD, 315896.MF, 325796.M0, 325796.MA, 325796.MD, 325796.MF, 438896.M0, 438896.MA, 438896.MD, 438896.MF, 847796.M0, 847796.MA, 847796.MD, 847796.MF   |
| a08   | (Military) Personnel Services | 131096.M0, 131096.MA, 131096.MC, 315896.M0, 315896.MA, 315896.MC, 325796.M0, 325796.MA, 325796.MC, 438896.M0, 438896.MA, 438896.MC, 847796.M0, 847796.MA, 847796.MC  |
| a09   | Substance Abuse               | 131096.LA, 131096.6S, 315896.LA, 315896.6S, 325796.LA, 325796.6S, 434779.00, 434789.00, 438896.LA, 438896.6S, 847796.LA, 847796.6S, NAF.RD   |
| a10   | Army Community Service        | 131096.LA, 131096.LJ, 131720.00, 131720.10, 131720.11, 131720.12, 131720.13, 131720.14, 131720.15, 131720.16, 131720.17, 131720.18, 131720.19, 315820.00, 315820.10, 315820.11, 315820.12, 315820.13, 315820.14, 315820.15, 315820.16, 315820.17, 315820.18, 315820.19, 315896.LA, 315896.LJ, 325720.00, 325720.10, 325720.11, 325720.12, 325720.13, 325720.14, 325720.15, 325720.16, 325720.17, 325720.18, 325720.19, 325796.LA, 325796.LJ, 438720.00, 438720.10, 438720.11, 438720.12, 438720.13, 438720.14, 438720.15, 438720.16, 438720.17, 438720.18, 438720.19, 438896.LA, 438896.LJ, 847796.LA, 847796.LJ, NAF.RC, NAF.RE, NAF.RF, NAF.RJ, NAF.RP, NAF.RR, NAF.RU, NAF.SA |

## APPENDIX H

### HQDA Business Area Functional Points of Contact

#### **Business Area 01 - Depot Maintenance Operations**

HQDA, ODCSLOG  
ATTN: DALO-AMA (COL King)  
500 Army Pentagon  
Washington, DC 20310-0500  
kingjc@hqda.army.mil

#### **Business Area 02 - Supply Management**

HQDA, ODCSLOG  
ATTN: DALO-SMP (Kathleen Schulin)  
500 Army Pentagon - Room 1D563  
Washington, D.C. 20500-0500  
Schulkm@hqda.army.mil

#### **Business Area 03 - Ordnance**

HQDA, ODCSLOG  
ATTN: DALO-AMA (COL King)  
500 Army Pentagon  
Washington, DC 20310-0500  
kingjc@hqda.army.mil

#### **Business Area 04 - Information Support**

HQDA, DISC4  
ATTN, SAIS-PAC-S (Charles Jerzak)  
107 Army Pentagon  
Washington, DC 20310-0107  
Jerzacj@hqda.army.mil

**Business Area 05 - Civilian Human Resources**

HQDA, Office of the Deputy Assistant Secretary of the Army  
Civilian Personnel Policy (ATTN: Joyce Gregory)  
111 Army Pentagon, Room 2C674  
Washington, DC 20310-0111  
gregojg@hqda.army.mil

**Business Area 06 - Institutional Training**

HQDA, ODCSOPS  
ATTN: DAMO-TRP (Irene Wheelwright)  
500 Army Pentagon  
Washington, DC 20310-0500  
Irene.Wheelwright@hqda.army.mil

**Business Area 07 - Base Support**

HQDA, ACSIM  
ATTN: DAIM-MD (Bill Johnsen)  
600 Army Pentagon  
Washington, DC 20310-0600  
Johnswc@hqda.army.mil

**Business Area 08 - Research & Development**

HQDA, ASA (AL&T)  
ATTN: Dr. Robert Rohde  
2511 Jefferson Davis Highway  
Arlington, VA 22202-3911  
Rohder@sarda.army.mil

**Business Area 09 - Test & Evaluation**

U.S. Army Test and Evaluation Management Agency  
ATTN: DACS-TE (Ray Wagner)  
200 Army Pentagon  
Washington, D.C. 20310-0200  
Wagnerj@hqda.army.mil

**Business Area 10 - Contracting Process**

Director, Procurement Policy & Acquisition Reform  
ATTN: SAAL-ZP (James Edgar)  
Skyline 6, Suite 309  
5109 Leesburg Pike  
Falls Church, VA 22041-3201  
Edgarj@sarda.army.mil

**Business Area 11 - Acquisition Process**

HQDA, ASA(AL&T)  
ATTN: SAAL-RI (COL Berry)  
103 Army Pentagon  
Washington, DC 20310-0103  
Berrys@sarda.army.mil

## **APPENDIX I**

### **LESSONS LEARNED – Forces Command**

These “Lessons Learned” were developed by Forces Command and represent a considerable experience base on implementing and using Activity Based Costing principles.

#### **General:**

- DO NOT START ABC/M WITHOUT SENIOR LEADER “BUY-IN”, SUPPORT, GOALS, & EMPHASIS! Implementation of ABC/M will be successful only with full support of top level management from the start.
- Develop general short-term and long-term goals/desired outcomes. Identify some short-term/immediate goals (such as, initial cost awareness for all activities/services and identify the potential to reduce cost of ten highest-cost activities by 5, 10, or 15%).
- Identify most meaningful measures to track/monitor/document progress, see improvement, and know when you succeed.
- Clearly define (or lay out the process for determining) which of the 95 service areas/functions are to perform ABC/M.
- Consider establishing an installation ABC/M steering committee, comprised of a primary ABC/M (Application Specialist) point of contact and installation representatives to oversee ABC/M implementation, establish installation ABC/M goals, objectives, milestones, etc.

#### **Model Development:**

- Flowchart processes to identify key services/products (Cost Objects), create Activity Modules, and establish most meaningful “gates” and measures.
- Before starting, decide whom you’re modeling for and expected goals/outcomes. Modeling for Garrison Commander or Director is drastically different from modeling for first-line/daily managers.
- Key installation staff managers must participate in identifying and selecting cost objects and determining the level of detail for the activity module.
- Clearly define which staff functions (base support, tactical or both) are to be included in models.
- Ensure manageability of models within resource constraints. Keep abreast of the amount of data required to populate/update a model, availability of data, and time required to work/manage the model.



**Pilot Phase:**

- Start small, implement a model over a workable area, and refine it, before wide/extensive exporting or deployment. Balance the level of details in a model (between “an-inch-wide-and-a-mile deep” and “an-inch-deep-and-a-mile-wide”).
- Models with too much detail become more of a hindrance (resource intensive to manage/sustain) than a useful management tool and are quickly abandoned.
- Develop a workable model and ensure it works (produces desired results) before deploying.

**Population/Implementation:**

- Establish a functional implementation team including contractor or Army leader, model sustainer, alternate model sustainer, a functional/knowledgeable budget analyst, and members of staff sections, including Division/Branch chiefs.
- Hiring contractors to lead model building and implementation is useful, particularly if installation personnel are not familiar with ABC/M. However, installation personnel and the implementation team must be actively involved and should work ABC as a full-time job during implementation.
- Strive to link current automated systems output with OROS models to reduce double inputting data.

**Model Sustainer/Alternate:**

- Suggest functional model owners designate a primary and alternate model sustainer to receive all training and actively participate in model implementation and staff orientations. Initial model population and manager awareness training/orientation will require sustainers to expend 40-50% of their time on initial models and getting ABC/M started.

**Generating Reports:**

- The OROS suite of basis reports are good to start, but installation functional managers and resource/budget personnel should evaluate standard reports and develop those that are most meaningful to local managers.

**Training:**

- Conduct initial ABC/M theory training before modeling and data collecting to provide work force with insight of what's to come.
- Allow sufficient time to conduct one-on-one sessions with every manager after initially populating models, so managers can see “their piece of the model”, how they play in ABC/M, and what's expected of them.

**Contract Support:**

- It would be very helpful if contractor's staff is familiar with Army organizations, operations, and terms.
- If OROS is Army standard software, ensure contractor employees are thoroughly familiar with all facets of the software and can fully optimize models, fully teach/demonstrate full range of software capabilities, and teach installation personnel.
- Avoid using specialized contractor or third party software (such as Data Convert Plus) to populate models. Insist that contractor employees maximize OROS software capabilities.
- Army activities must retain control of the model development and implementation process. Insist on contractor(s) providing the most meaningful, usable, manageable and *focused-on-areas-of-emphasis* model for local managers.

## APPENDIX J

### ACRONYMS

|           |  |
|-----------|--|
| AAA       | U.S. Army Audit Agency   |
| ABC       | Activity Based Costing   |
| ABC/M     | Activity Based Costing/Management  |
| ABM       | Activity Based Management  |
| ACSIEFM   | Assistant Chief of Staff for Installations, Environment, and Facility Management |
| ACSIM     | Assistant Chief of Staff for Installation Management                             |
| ACSRM     | Assistant Chief of Staff for Resource Management                                 |
| AFH       | Army Family Housing  |
| AFHO      | Army Family Housing Operations   |
| AIM-HI    | Army Installation Management - Headquarters Information                          |
| AMC       | Army Materiel Command  |
| AMCOM     | Aviation and Missile Command   |
| AMSCO     | Army Management Structure Code   |
| APF       | Appropriated Fund  |
| ARL       | Army Research Laboratory   |
| ASA(FM&C) | Assistant Secretary of the Army (Financial Management and Comptroller)           |
| ASG       | Area Support Group   |
| AST       | Area Support Team  |
| ATEC      | Army Test and Evaluation Command   |
| AWCF      | Army Working Capital Fund  |
| BASOPS    | Base Operations  |
| BPR/BPI   | Business Process Reengineering/Business Process Improvement                      |
| BRAC      | Base Realignment and Closure   |
| BSB       | Base Support Battalion   |
| CA        | Commercial Activities  |
| CD        | Compact Disc   |
| CEAC      | U.S. Army Cost & Economic Analysis Center  |
| CECOM     | Communications Electronics Command   |
| CEFMS     | Corps of Engineers Financial Management System                                   |
| CG        | Commanding General   |

## **MEDCOM CM/ABC Implementation Plan - 28 July 2000**

|         |   |
|---------|---|
| CM      | Cost Management   |
| CPAC    | Civilian Personnel Advisory Center                              |
| CSA     | Chief of Staff for the Army                                     |
| DA      | Department of the Army  |
| DCS     | Deputy Chief of Staff   |
| DCSOPS  | Deputy Chief of Staff for Operations                            |
| DCSPER  | Deputy Chief of Staff for Personnel                             |
| DCSPIM  | Deputy Chief of Staff for Personnel and Installation Management |
| DCSRM   | Deputy Chief of Staff for Resource Management                   |
| DFAS    | Defense Finance and Accounting Service                          |
| DHP     | Defense Health Program  |
| DoD     | Department of Defense   |
| DPW     | Director of Public Works  |
| EUSA    | Eighth U.S. Army  |
| FOA     | Field Operating Agency  |
| FORSCOM | Forces Command  |
| FY      | Fiscal Year   |
| GAO     | Government Accounting Office                                    |
| GOCO    | Government-Owned, Contractor-Operated                           |
| GOIC    | General Officer Installation Commanders Course                  |
| GPC     | Garrison Pre-Command Course                                     |
| GSGMC   | Garrison Sergeants Major Course                                 |
| HQDA    | Headquarters, Department of the Army                            |
| I&SA    | Installation and Services Activity                              |
| IAW     | In <i>Accord<del>ance</del></i> With                            |
| IFS     | Integrated Facility Systems                                     |
| IMSC    | Installation Management Steering Committee                      |
| IPR     | In Progress Review  |
| ISR     | Installation Status Report                                      |
| IT      | Information Technology  |
| LAN     | Local Area Network  |
| MACOM   | Major Command   |
| MCA     | Managerial Cost Accounting                                      |
| MDW     | Military District of Washington                                 |
| MEDCOM  | Medical Command   |
| MEO     | Most Efficient Organization                                     |

**MEDCOM CM/ABC Implementation Plan - 28 July 2000**

|          |   |
|----------|---|
| MSC      | Major Subordinate Command                                 |
| NAF      | Non-Appropriated Fund                                     |
| NLT      | Not Later Than  |
| O&M,A    | Operations and Maintenance, Army                          |
| O&M,D    | Operations and Maintenance, Defense                       |
| O&S      | Operations and Support                                    |
| OSD      | Office of the Secretary of Defense                        |
| OTSG     | Office of the Surgeon General                             |
| POC      | Point of Contact  |
| POM      | Program Objective Memorandum                              |
| PPBES    | Planning, Programming, Budgeting, and Execution System    |
| QAPR     | Quarterly Army Performance Review                         |
| QOL      | Quality of Life   |
| RDT&E    | Research, Development, Test and Evaluation                |
| ROI      | Return on Investment                                      |
| SBC      | Service Based Costing                                     |
| SBCCOM   | Soldier and Biological Chemical Command                   |
| SOMARDS  | Standard Operation & Development System                   |
| SSC      | Standard Service Costing                                  |
| STANFINS | Standard Finance System                                   |
| TACOM    | Tank-automotive and Armaments Command                     |
| TDY      | Temporary Duty  |
| TISA     | Troop Issue Subsistence Activity                          |
| TRADOC   | Training and Doctrine Command                             |
| UPH      | Unaccompanied Personnel Housing                           |
| USACE    | U.S. Army Corps of Engineers                              |
| USACEAC  | U.S. Army Cost and Economic Analysis Center               |
| USAR     | U.S. Army Reserve   |
| USARC    | U.S. Army Reserve Command                                 |
| USAREUR  | U.S. Army Europe  |
| USARPAC  | U.S. Army Pacific   |
| USARSO   | U.S. Army South   |
| USMA     | U.S. Military Academy                                     |
| VAMOSC   | Visibility and Management of Operations and Support Costs |

APPENDIX K

STANDARD SERVICE COST DEVELOPMENT

## Cost Management / ABC

**Cost Management is a Process of Continuous Improvement that Simultaneously Focuses on Cost and Performance To Gain Efficiencies, and Improve Operations Through Informed Decision Making**







### “Unit Cost Based on Quality”

- Parametric cost functions by service
- Rigorous statistical process
- Based on historical workload (output) data, historical costs (SBC), and demographic data
- Statistics link costs to quality ratings (Green/Amber/Red)

### ***COST FUNCTION***

Installation: Ft Campbell

Service: Laundry & Dry Cleaning

Formula:  $y = a + bx + q$

*Attributes (Size, Mission, Location, Population, Facility Footprint, Type)*

$y$  = Resources Required

$a$  = Fixed Costs

$b$  = Variable Unit Cost

$x$  = Quantity (  $\pm$  Attribute)

$q$  = Quality Factor

## ***COST FUNCTION***

**Installation:** Ft Campbell

**Service:** Laundry & Dry  
Cleaning

**Formula:**  $y = a + bx + q$

*Attributes (Size,  
Mission, Location,  
Population, Facility  
Footprint, Type)*

$y$  = Resources Required

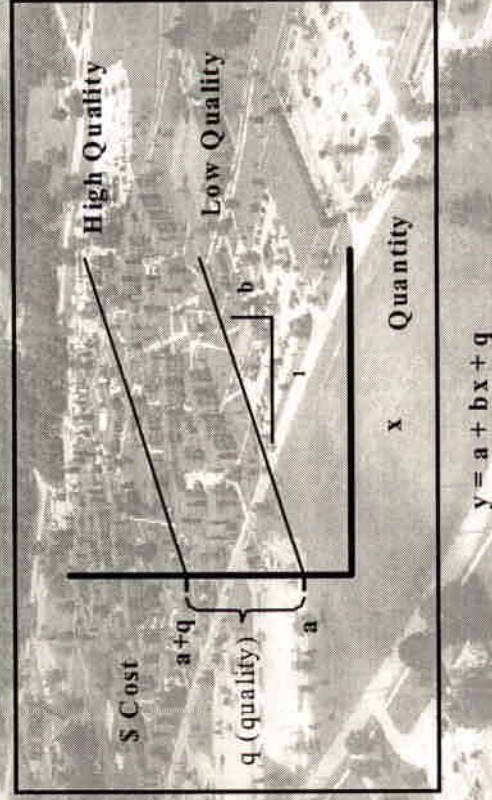
$a$  = Fixed Costs

$b$  = Variable Unit Cost

$x$  = Quantity ( + Attribute )

$q$  = Quality Factor

## **STANDARD SERVICE COST Quantity-Quality Relations**





# Standard Service Cost Quantity-Quality Relations

Formula:  $y = a + bx + q$

Performance Measures:



# Standard Service Cost

## *Cost Function Examples*



Fitness and Recreation (PM = Number of Patrons)

$$Y = \$654K + \$2.47 (X) + \$625K \text{ (at APFT Score of 210)}$$

$$Y = a + b(x) + q$$

Fixed Cost:

- Do Not Vary with Output
- e.g. Mgmt Salary
- Equipment
- Contractor

Variable Cost:

- Changes as Output Fluctuates
- e.g. Supplies
- Labor

Improvement Cost:

- Investment to Improve Quality of Service
- e.g To achieve higher standard may have to invest in better equipment, instructors or operating hours

Green Standard =  
Score greater than 210

# Standard Service Cost

## *Cost Function Examples*

Waste Water Services (PM = Total Population)

$$Y = \$362K + \$39.4 (X) + Q(\text{Green})$$

Q is quality of Waste  
Water Infrastructure (ISR I)

Continuing Education Services (PM = Number of Enrollments)

$$Y = \$478K + \$15.3 (X) + \$560K \text{ GREEN}$$

$$Y = \$478K + \$15.3 (X) + \$261K \text{ AMBER}$$

$$Y = \$478K + \$15.3 (X) + \$0K \text{ RED}$$

Quality Metrics based  
Percent Completion Ratio



# Standard Service Costing *Definitions*



**Standard** - The Expected Level of Performance of an  
Output and/or Quality Outcome

## **Performance Measures:**

**Output** - The Actual or Expected Service

Delivered / Workload

- ✓ Number of Cases Processed
- ✓ Lane Miles of Roads Constructed
- ✓ Number of Students Graduating



**Quality Outcomes** - The Actual or Expected  
Service Results or Benefits

- ✓ Scores on Achievement Tests
- ✓ Number of Bus Trips Off Schedule
- ✓ Response Times of Police & Fire Departments

